

Montana Wheat and Barley Committee Budget Board Meeting
W.H.E.A.T. Building Conference Room, Great Falls
April 1-2, 2008

(Note: Please read entire set of minutes as various topics are referenced in more than one place.)

The following were present for either a portion of or the entire meeting.

DIRECTORS

Brian Kaae	Kim Holzer
Don Fast	Mel Goffena
Arlo Skari	Don Chaffee
Frank Schoonover	

EX-OFFICIOS

Marv Blodgett, Grain Merchandiser; Shafer Commodities
Dr. Jeff Jacobsen, Dean; MSU College of Agriculture and Director; Montana Ag Experiment Station
Ron de Yong, Director; Montana Department of Agriculture

STAFF

Kim Falcon
Cheryl Tuck
Kolleen Spurgin

GUESTS

Joel Clairmont, Deputy Director and Administrator; Agricultural Development Division, Montana Department of Agriculture
Bill Herbolich, Program Specialist, Hail Program, Montana Department of Agriculture
Terry Whiteside, Freight Rate Consultant; Whiteside and Associates
Peggy Stringer, Head Statistician; Montana Agricultural Statistics Service
Lola Raska, Executive Vice President; Montana Grain Growers Association
Dave Henderson, Vice President; National Barley Growers Association
Dan Kidd, Producer, Big Sandy, and Past MW & BC Director
Jim Squires, Glendive, Past MW & BC Director and Eastern Ag Research Center Advisory Committee Member
Alan Merrill, President, Montana Farmers Union
Will Roehm, President, Montana Grain Growers Association
Bing Von Bergen, Vice President, Montana Grain Growers Association
Karl Scronce, First Vice President, National Association of Wheat Growers
Craig Essebaggers, Bureau Chief, Montana State Grain Laboratory
Darin Arganbright, Past President, Montana Grain Growers Association
Lochiel Edwards, Big Sandy, Producer
Steve Bahnmler, Big Sandy, Producer
Duane Beirwagen, Big Sandy, Producer
Knud Grosen, Big Sandy, Retired Producer
Louis Beirwagen, Big Sandy, Retired Producer
Marvin Works, Big Sandy, Producer
Sonny Harrell, Education Director, Montana Farmers Union
Dale Schuler, Carter, Producer and Past President of the National Association of Wheat Growers

The annual Montana Wheat and Barley Committee budget meeting was called to order by Chairman Frank Schoonover at 8:00 a.m. Introductions of guests occurred as they arrived throughout the meeting. Public comment was called for.

1) M/S/C Brian Kaae/Arlo Skari – That the minutes of the February 21-22, 2008 meeting be approved as amended. (Those changes are on file at the Montana Wheat and Barley Committee office.)

Bill Herbolich presented the financial statement prepared by Kolleen Spurgin covering February 2008. A complete refund summary was distributed for the fiscal year, to date.

2) M/S/C Don Fast/Don Chaffee – That the financial statement be approved, as presented.

Executive Vice President Kim Falcon reviewed various end-of-year projected revenue scenarios for the directors.

Discussion was held about the recent planting intentions report and the implications it would have for budgetary considerations. This report reflected Montana All Wheat production is projected to be up 12% from the previous year.

Chairman Schoonover advised he will contact Janice Mattson and Leonard Schock to discuss how the Montana Wheat and Barley Committee would like to be acknowledged in their sponsorship of the conference room at the new U.S. Wheat Associates office in Washington, D.C. Dean Jacobsen suggested glass etching might be appropriate.

Executive Vice President Falcon reported that at this time Foreign Market Development and Market Access Program monies, in the current Farm Bill, may be funded at the current level. Any expansion of efforts will be difficult. We may see some reduction in programs because of escalating costs some staff vacancies are not being filled in overseas offices.

Chairman Schoonover reviewed the U.S. Wheat Associates proposal saying Montana's assessment, based on production, has been reduced from \$441,736 in FY 08 for full membership to \$438,000, for the same services. He also reviewed additional requests for trade team expenses. \$7,600 is needed for Janice Mattson's executive board responsibilities with U.S. Wheat Associates.

Director Don Fast, in his review of the U.S. Grains Council (USGC) proposal, mentioned that the check-off funds that the member states provide is matched by three federal dollars for every one check-off dollar. (This is basically the same situation with U.S. Wheat Associates.) Malt, food and feed barley are represented through the Grains Council. He noted the direct correlation between a recent Simultaneous Buy Sell (SBS) Japanese mission and a subsequent barley purchase, demonstrating one of the advantages to this promotion program. It was noted that a replacement of the current USGC president, Kenneth Hobbie, will occur. Additionally, there is discussion about consolidating the USGC and USWA programs. Director Arlo Skari added that he also learned about the success of the DDGS's promotion at the San Antonio USGC Meeting.

Director Brian Kaae stated the Wheat Foods Council (WFC) is the only domestic promotion organization funded by the MW & BC. On the horizon is a possible merger with the Grain Foods Foundation. He feels the investment is worthwhile. There is also discussion of merging the National Barley Foods Council with the WFC. Kaae feels this could be a good vehicle for domestic food barley promotion.

Sonny Harrell presented the Montana Farmers Union proposals which include a carbon sequestration component, along with education on grain diseases and pests and a new "Joy of Baking" project.

Karl Scronce reviewed the National Association of Wheat Growers (NAWG) proposals. NAWG does work on two joint policy committees with USWA. NAWG has a new vision statement – "Advancing wheat through vision and advocacy."

Cheryl Tuck presented various reports, including information requests processed, activity diary, and web and code-a-phone reports. She also mentioned the need for wheat on stalk and anecdotal crop condition reports during the growing season and harvest.

The National Barley Growers Association report and proposal was presented by Dave Henderson. He expressed concern about dwindling barley acres. Drought is starting to affect some acreage. There has been a substantial increase in food barley production from malting barley. He advised the directors that through Executive Vice President Falcon and Herb Karst's efforts, Tecate, a Mexican brewer, has followed up on their fall visit to the state with another meeting. The "Sweetgrass" growers have signed contracts representing approximately 5,000 MT with Tecate. This is viewed as a ground-breaking business action which could expand in future years. Metcalfe is currently the two-rowed variety of choice for Tecate, but they may wish to test Hockett.

Will Roehm updated the directors on Montana Grain Grower Association (MGGA) activities. This is the first year MGGA has a dedicated staff person, Carl Mattson, to work with critical and complicated conservation issues. A new Conservation Security Program is planned for the upcoming fiscal year.

Dale Schuler spoke to the proposal for trade policy saying its goal was to provide consistent and cohesive trade policy development. This proposal will allow Schuler to monitor World Trade Organization (WTO) and free trade issues.

Dan Kidd was reappointed to the Agricultural Technical Advisory Committee under the Foreign Agricultural Service for four years. He is guardedly optimistic about a favorable WTO resolution.

Craig Essebaggers indicated the new electronic AgTrax system should be in operation by the end of the month, following a simultaneous test with the current system. This will involve less data entry and e-mail service to the producer. The lab should also have two more inspectors by June.

Knud Grosen voiced pleasure in learning that Director de Yong supports considering general fund monies as another funding source for the State Grain Laboratory, other than the MW & BC, to stabilize the operations of the Lab. Estimates are this will take approximately \$150,000 annually.

The floor was open to public discussion on an increase in the wheat and barley assessment after distribution of possible revenue scenarios based on various levels of assessment collections. Discussion included concerns about timing of public notification and spending authority.

3) M/S/C Don Fast/Don Chaffee – That the assessment be increased from present levels to two cents per bushel wheat and three cents per hundredweight on barley, to be implemented by July first, following the appropriate rules process.

Director Kaae indicated the National Barley Improvement Committee coordinates and prioritizes barley research projects through the federal system.

Don Fast asked former MW&BC Director, Jim Squires, to report on the Northern Plains Agricultural Research Center. Jim listed the divergence of staffing and ongoing projects for the center.

Peggy Stringer presented the latest Prospective Plantings, Grain Stocks and Crop Weather reports. March wheat stocks are the lowest in Montana Agricultural Statistics Service recorded history for the period. Montana All Wheat plantings are estimated to be up twelve percent from last year.

Directors Kaae and Arlo Skari reported the Northern Crops Institute (NCI) is looking for a new technical director to replace Brian Sorenson, who has taken over the Executive Director position. NCI is looking for a 20%

increase in their budget, in part to support more short courses. The next meeting for NCI is June 23-24 in Fargo. Montana may wish to consider hosting the winter board meeting of the four-state partnership involved in NCI the winter of 2010.

Directors Kim Holzer and Fast briefed the directors on activities at the Wheat Marketing Center, commenting that the elevator management seminar is especially valuable.

Director Skari reviewed the National Barley Foods Council structure and funding proposal.

Terry Whiteside updated the directors about Surface Transportation Board issues, legislative progress, the Churchill project, Shipper Day activities, fuel surcharge cases and the storing of BNSF rail cars in Montana. He also discussed his funding proposal.

Executive Vice President Falcon reviewed proposals not represented by earlier reports. Falcon discussed office construction and a proposed video production for market promotion. Dean Jacobsen suggested footage of the Post Farm be included to show the beginnings of new varieties and the farmer-university partnership.

Travel discussion included Director Skari, who will represent the Committee on the SBS mission to Japan in November. Director Fast tentatively plans to attend the Malt Barley trade mission to the Dominican Republic and Chile. Additional travel items to be included for approval are a May 22-23 Portland meeting for Executive Vice President Falcon to attend a series of meetings with the export companies. Also Falcon will attend a U.S. Wheat Associates World Staff Conference in Portugal August 10-14; and a USWA/NAWG Dallas meeting in the fall. Cheryl Tuck will replace Executive Vice President Falcon at the U.S. Feed Grains Council Anchorage meeting July 20-22.

4) M/S/C Don Fast/Brian Kaae – That the above travel be approved.

A request was made to include trade team visit schedules in the Friday Letter.

Brian Kaae will attend the Northern Crops Council final banquet if he is done seeding in May.

Discussion was held regarding a travel policy for foreign travel but it was tabled until Deputy Director Joel Clairmont could check the language in the proposed policy with the department attorney before the Committee takes action.

Executive Vice President Falcon reported on the four-state meeting held in Fargo, commenting the Committee may need to publish its own quality survey for winter wheat to differentiate it from southern red winter wheat. She also reported that container issues and an intermodal facility are again being studied for Shelby and Butte. Currently, North Dakota (Minot) seems to be the front runner for an intermodal facility.

Executive Vice President Falcon advised that the Ministry of Agriculture Fisheries and Forestry (Japan) is again asking for wheat samples to test for paraquat,--this time MAFF is requesting 200 samples---, double the amount requested last year. Korea has suspended establishing Minimum Residue Levels (MRL's) for malathion.

Regarding the current vacant position in the Montana Wheat and Barley Committee office, initially a marketing technician position, Executive Vice President Falcon asked direction from the Board. It was suggested many technical things could be done outside of the office, but need personnel to work with trade teams, travel, and give presentations is needed more urgently. Update of the web site and other technical tasks could be handled without having a permanent staffer. Additionally, some felt it important for directors to be more involved with trade teams.

It was discussed, that U.S. Wheat Associates, through Executive Vice President Falcon, should contact Interstate Brands and dissuade them from the mistaken notion that wheat is solely responsible for the need for bakeries to increase their bread prices. Perhaps Harlan Klein's letter could be sent to the Trader's Dispatch. The Montana Wheat and Barley Committee should work with the Department of Agriculture to draft an Op-Ed piece for newspapers.

Marvin Blodgett gave his "View from the Trade" report mentioning he still feels we will have a strong market for a while yet. Domestic mills have done a good job of buying in advance of their needs. The basis could take some wild spikes before harvest. Anyone needing to purchase large volumes of wheat will probably have a difficult time doing that now. Chris Herring will be the new manager of the ADM facility in Havre.

Dean Jacobsen reviewed some of the current and potential research project issues. Bob Stouggard, realizing some salary savings, wishes to transfer existing, approved salary funding to equipment. David Weaver will be expending the \$100,000 2008 project monies, contrary to what was said at the February 21-22, 2008 meeting.

5) M/S/C/ Brian Kaae/Don Fast – To allow Robert Stouggard to use previous salary funding for equipment within his existing approved 2008 project allocations.

Dean Jacobsen stressed that he has suggested, over a period of several years, that breeders not refer to potential new varietal releases by a name, but rather, they should use numbers, instead, until such a time as the release of the variety is approved.

He detailed disbursement for research fees collected and listed expenses incurred. Starting with Hockett barley, the Plant Variety Protection (PVP) fee of \$5,000 will come off the top and the rest will be split, per Board of Regents policy, among the breeders. Part of the competitive monies will be coupled with other dollars to build a Foundation Seed building. These funds will be administrated by the Dean's office. These procedures will remain an "open book." The breeders know they need to document what they have done with monies received from these fees. The seed dealers need to continue to feel the value from this fee system in order for the system to work as it was intended. At present, the only monies dispersed have been \$29,595.96 to Dr. Talbert (spring wheat) and \$10,000 to Dr. Bruckner (winter wheat). Regarding Hockett, Anheuser Busch is willing to "ramp up" the use of that variety. Dean Jacobsen explained an allocation system whereby representatives from designated organizations will receive a specific amount of seed. This seed cannot be hoarded. A plan is in place for material transfer agreements to be signed and all Hockett will come back to the MSU program. Anheuser Busch has agreed to pay the research fee for Hockett. Hockett will, hopefully, be available as certified seed in 2009. This information should be used as response to the Montana Seed Trade Association questions brought up in February at the Committee meeting.

The meeting was adjourned for the day at 4:55 p.m.

After an Executive Session, the Montana Wheat and Barley Committee directors reconvened at 8:20 a.m. on Wednesday, April 2, 2008. Pubic comment was again called for.

Director Fast suggested the Board write a budget of \$2,447,626 to conform to the spending authority amount the Committee currently has with the State of Montana. A numbering system was developed to help prioritize projects under funding consideration. He suggested further that members of the Ag Coalition be apprised of the "lack of sufficient" spending authority" situation.

Dean Jacobsen reviewed the submitted Montana State University proposals.

Deputy Directory Clairmont distributed copies of the state policy concerning travel. He advised that the Montana State Department of Agriculture will only pay for coach class airline tickets.

6) M/S/C Don Fast/Don Chaffee – That the Montana Wheat and Barley Committee adopt the following travel policy: Directors and staff will fly coach on most domestic flights but can fly business class on international flights, if not in conflict with state law. Consideration must be given to the amount of time traveling and to length of layovers. Given the fact that much of the out-of-country travel is to unusual locations, out-of-state, and out-of-country lodging costs should adhere to the state-approved maximum lodging rate unless accessibility and safety are a factor. The additional costs of travel and expenses such as ground transportation should also be taken into consideration when addressing the total costs associated with each trip.

7) M/S/C Kim Holzer/Arlo Skari -- That the Montana Wheat and Barley Committee write a budget of \$2,446,902 for FY 2009 with the understanding that, should more spending authority become available, the directors will re-evaluate the prioritizing of secondary proposals totaling \$386,642.

8) M/S/C Don Fast/Don Chaffee -- That the Montana Wheat and Barley Committee request the Montana State University Department of Ag Economics to do an informal project on the economic effects or impacts of genetically-modified wheat (GMO) on U.S. markets. This could, perhaps, be done by students or as a class project.

The meeting was adjourned by Chairman Schoonover at 12:40 p.m.